

Capitol Contact

Virginia General Assembly

Virginia Association of Counties • 1207 E. Main Street, Suite 300 • Richmond, VA 23219
www.vaco.org • 804.788.6652

Friday, December 19, 2025



Governor Youngkin Presents Budget Proposal to “Money Committees”

Governor Youngkin presented his final budget proposal to the members of the “money committees” on Wednesday, December 17. The Governor reflected on successes in meeting goals he outlined when he took office in January 2022; thanked the legislature for its support of shared priorities, such as behavioral health reforms; and encouraged members to maintain a business-friendly approach in policymaking. He also welcomed Governor-Elect Spanberger, who was in attendance at the presentation, and wished her success in her Administration.

The introduced budget assumes General Fund revenue growth of 3 percent in the current fiscal year (an upward revision from the current forecast of 0.4 percent growth, due to strong collections year-to-date), and growth of 3 percent in FY 2027 and 3.2 percent in FY 2028. These assumptions are based on the forecasts proposed by the Governor's Advisory Council on Revenue Estimates, with adjustments for a set of tax policy changes that are also proposed in the introduced budget. Governor Youngkin expressed confidence that this forecast will be attainable, and that revenues are likely to overperform the estimates, which would provide the new Administration and the legislature with more resources over the biennium.

Without the tax policy changes, General Fund revenue growth would be forecasted at 3.3 percent in FY 2026, 3.5 percent in FY 2027, and 3.6 percent in FY 2028. Proposed tax policy actions incorporated in the introduced budget include substantially conforming Virginia's tax code to changes to the federal tax code in HR 1, the federal reconciliation bill that was enacted this summer, as well as making several provisions of Virginia's tax code permanent, such as the increased standard deduction amount and the increase to the refundability of the Earned Income Tax Credit, both of which are slated to expire on January 1, 2027. The budget also proposes to allow Virginia taxpayers to deduct a portion of the amounts deducted on their federal taxes for car loan interest, tips, and overtime payments.

VACo staff are reviewing the introduced budget and will provide a detailed analysis soon. Following is a preliminary, high-level overview of major items of interest:

Compensation

- Proposes a bonus payment for state employees and state-supported local employees of 2 percent of base pay on June 16, 2026 (for state employees) and on June 1, 2026 (for state-supported local employees).
- Also provides the state share of a bonus payment equal to 2 percent of base pay on June 1, 2026, for funded SOQ instructional and support positions. These funds are required to be matched based on the Local Composite Index.
- Provides the state share of a 2 percent salary increase in each year of the biennium for funded SOQ instructional and support positions; the state share would be prorated for school divisions that provide less than an average 2 percent salary increase. School divisions providing an average increase in excess of 2 percent in the first year of the biennium would be allowed to credit the excess portion of the increase toward the second year. The state funds must be matched based on the Local Composite Index.
- Funds a 2 percent salary increase for state employees and state-supported local employees in each year of the biennium. The salary increases for state employees would take effect July 10, 2026, and June 10, 2027, and the increases for state-supported local employees would take effect July 1, 2026, and July 1, 2027.

K-12

- Provides \$543.8 million over the biennium to fund rebenchmarking of the Standards of Quality and other routine updates to school funding.
- Appropriates an additional \$127 million over the biennium from the School Construction Fund, as well as \$172 million in FY 2027 from the Literary Fund, for the School Construction Assistance Program, under which the Board of Education makes competitive grants to school divisions for construction, expansion, or modernization of public school buildings.

Children’s Services Act (CSA)

- Funds the state share of forecasted growth in the program (\$20.7 million General Funds in FY 2026, \$49.6 million in FY 2027, and \$86.5 million in FY 2028).
- Revises language included in the 2025 Appropriation Act, which capped state reimbursement to localities for private day special education services by stipulating that state reimbursement to localities for private day education services would not increase more than 5 percent over the rates for such services provided the previous year. VACo strongly opposed this provision. The introduced budget tightens this cap to 2.5 percent, which would require localities to assume the costs that would otherwise be shared with the state if rates increased more than 2.5 percent beyond the previous year.
- Directs the state match for community-based services to be reduced to reflect an average state match rate of 71 percent; the state Department of Planning and Budget calculates that this change would reduce state costs for CSA by \$10.8 million in FY 2027 and \$11.8 million in FY 2028. Currently, CSA uses a three-tiered model to incentivize use of community-based services; the local match rate for residential services is 25 percent higher than each locality’s base match rate, and the local match rate for community-based services is 50 percent less than the locality’s base match rate. Community-based services include services that are provided to youth (or youth and their families) while living at home, in the home of extended family, in a foster family home, or in an independent living situation; examples include individual and family counseling or intensive care coordination for youth at risk of entering residential care.

Constitutional Officers

- Funds 71 additional sheriffs’ deputy positions; information provided by the Compensation Board explains that this funding is intended to ensure that every sheriffs’ office with primary law enforcement responsibility has a minimum of ten law enforcement deputy positions.
- Funds 18 additional administrative positions in sheriffs’ offices; information provided by the Compensation Board indicates that this funding is intended for positions in sheriffs’ offices where allocated positions are not funded due to previous budget reductions and the sheriff’s office has no Compensation Board-funded administrative positions.

Economic Development

- Deposits an additional \$10 million in FY 2027 for the Virginia Business Ready Sites Program (for a total of \$30 million in FY 2027 and \$20 million in FY 2028).

Medicaid

- Includes \$410.3 million in FY 2026, \$1.1 billion in FY 2027, and \$1.7 billion in FY 2028 for the state General Fund (GF) share of forecasted growth in the program.
- Proposes several cost-containment measures, such as imposing a four-hour coverage limit for mobile crisis services and eliminating community stabilization as a covered service.
- Includes \$28 million GF in FY 2027 and \$31.2 million GF in FY 2028 for the state share of increased rates for certain services provided through Developmental Disability waivers.

Child Welfare

- Proposes to fund several initiatives as part of the Administration’s “Safe Kids, Strong Families” initiative, including:
 - Providing \$212,046 per year for overtime costs associated with extending the existing 24-hour response timeline for valid reports of abuse or neglect for children younger than two to include children up to age three.
 - Providing \$3.5 million per year in state GF and \$1.5 million per year in federal funding to increase the minimum salary for family services employees in local departments of social services to \$55,000. These staff provide a continuum of services designed to assist families in safely caring for children and vulnerable adults.
 - Providing \$14.6 million in FY 2027 and \$18.1 million in FY 2028 to create a centralized child protective services intake system to collect and triage child abuse and neglect reports and transmit valid reports and complaints to the appropriate local department of social services.
 - Including \$656,842 in FY 2027 and \$2.7 million in FY 2028 in state GF (as well as \$218,946 in FY 2027 and \$898,744 in FY 2028 in federal funds) to enhance state oversight of local departments by enabling the Commissioner of Social Services to issue corrective action plans and proceed with state takeover of local departments of social services.

Supplemental Nutrition Assistance Program (SNAP)

- Includes \$43 million in FY 2027 and \$57.4 million in FY 2028 to absorb the additional administrative costs being shifted to the state as a result of changes included in HR 1. As explained by the Governor, the introduced budget proposes to assume both the state and local portion of these additional costs; localities would be responsible for additional costs associated with federal funds that flow directly to localities without a state contribution (an arrangement known as “pass-through” funding).
- Provides \$1.1 million in FY 2027 and \$1.3 million in FY 2028 (as well as \$520,865 in FY 2027 and \$416,692 in FY 2028 in federal funding) for a SNAP quality assurance team (which would be charged with finding and correcting SNAP payment errors before they can affect the state’s error rate) and provides \$555,096 in FY 2027 and \$605,559 in FY 2028 (and \$252,316 in FY 2027 and \$201,853 in FY 2028 from federal funds) to increase salaries for SNAP quality control reviewers.

Water Quality

- Provides a total of \$286 million in GF and nongeneral funds in FY 2027 to support the Virginia Agricultural Cost-Share program. This amount includes the mandatory allocation from surplus revenues of \$107.9 million GF, an additional \$36.2 million GF, and the remaining appropriation from nongeneral fund sources of interest in the Virginia Natural Resources Commitment Fund and partial balances in the WQIF reserve.
- Provides \$140.5 million GF in first year to the Water Quality Improvement Fund. These funds are directed to support the Hampton Roads Sanitation District Boat Harbor Treatment Plant project through the Enhanced Nutrient Removal Certainty program. Delineates additional application acceptance requirements for the department.
- Provides \$43.5 million in FY 2027 to support stormwater assistance projects in localities with municipal separate storm sewer systems.

Advocate for Your Community at the VACo Local Government Day



Thursday, February 5, 2026 | [Omni Richmond Hotel](#)

REGISTRATION FORM

It's a day for us. Localities. It's a day for us to learn how the decisions being made by the General Assembly might affect us. And it's a day to make our voices heard. Attend Local Government Day. Then visit the Capitol to meet with your legislators and observe committee meetings. Later join us for a reception.

Date: Thursday, February 5, 2026

Reserve a Room: [Omni Richmond Hotel Room Link](#)

Who should attend: ALL Local Elected Officials and staff are encouraged to register and attend.

Registration Fee

\$100 | Includes Day Briefing (Starts at Noon) and Reception (430pm – 630pm)

Agenda

- **9am** | VACo Board of Directors Meeting
- **10am** | Registration
- **1130am** | Lunch
- **Noon** | VACo Local Government Day
- **Afternoon** | Visit the Capitol to speak with legislators
- **430pm-630pm** | VACo Legislative Reception | Omni Richmond Hotel

Please email questions to Valerie Russell at vrussell@vaco.org.

For information on how to reach your representatives, see the [Virginia House of Delegates](#) and the [Senate of Virginia](#) member websites. Find information about VACo's positions in the [2026 Legislative Program](#). We will distribute the County Government Day Bulletin before the event.

VACo Contact: [Valerie Russell](#)